

## 9M 2009 FINANCIAL AND OPERATIONAL RESULTS (RAS)

Ekaterinburg – November 10, 2009 – Uralsvyazinform (RTS: URSI/URSIP, ADR: UVYZY/UVYZYP), the leading carrier of fixed-line and mobile services in the Urals region, Russia reports the unconsolidated financial and operational results for 9 months of 2009 prepared under Russian Accounting Standards (RAS).

- Revenues increased by 0.2% on 9M 2008 and totaled RUR 30.2 billion driven by revenue gains in:
  - Local telephone services (+2.5%);
  - Internet and unregulated data transmission services (+29.1%).
- EBITDA[1] increased by 5.8% on 9M 2008. EBITDA margin[2] amounted to 38.1%. Operating margin – 20.2%.
- Net profit increased by 2.4% and amounted to RUR 2.9 billion. Net margin amounted to 9.8%.
- Subscriber base totaled 9.4 million.

### ***Financial and operational highlights:***

	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
<i>Financial</i>			
Revenues, RUR mln.	30,244.2	30,192.4	+0.2%
Costs, RUR mln.	24,119.8	24,341.6	-0.9%
EBITDA, RUR mln.[1]	11,517.7	10,882.9	+5.8%
EBITDA margin	38.1%	36.0%	
Operating profit, RUR mln.	6,124.3	5,850.8	+4.7%
Operating margin	20.2%	19.4%	
Pre-tax profit, RUR mln.	3,889.0	4,128.3	-5.8%
Net profit, RUR mln.	2,953.2	2,882.8	+2.4%
Net margin	9.8%	9.5%	
<i>Operational</i>			
	<b>30/09/2009</b>	<b>30/09/2008</b>	<b>Change, %</b>
Subscriber base:			
Fixed-line subscribers, mln.	3.73	3.71	+0.5%
Mobile (GSM) subscribers, mln.	5.7	5.5	+3.6%
Broadband subscribers, thous.	754.3	545.0	+38.4%
Digitalization of local fixed-line networks, %	78.6%	74.5%	
Number of employees	21,872	23,767	-8.0%

[1] EBITDA is calculated as a sum of pre-tax profit, interest payable, depreciation & amortization, leasing payments less interest receivable.

[2] EBITDA margin, Operating margin, Net margin represent EBITDA, Operating profit, and Net profit expressed as a percentage of revenue.

Complete accounting statements of Uralsvyazinform as of 9M 2009 are available from Uralsvyazinform [web-site](#).

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The most recent company information is also available at [www.usi.ru/en/](http://www.usi.ru/en/), [www.skrin.ru](http://www.skrin.ru) (complex disclosure information system) or URSI\_RU page in Bloomberg system and URSI.RTS page in Reuters system.

## OVERVIEW OF BUSINESS

### *Local services*

	<b>31/12/2008</b>	<b>31/12/2007</b>	<b>Change, %</b>
Installed capacity, thousand	4,288.4	4,111.3	+4.3%
	<b>30/09/2009</b>	<b>30/09/2008</b>	<b>Change, %</b>
Subscriber base, thous. lines, <i>including</i>	3,730.4	3,712.5	+0.5%
<i>Residents</i>	3,182.3	3,159.4	+0.7%
<i>Organizations</i>	548.1	553.1	-0.9%

As of 9 months of 2009 Uralsvyazinform added 7,700 fixed-line subscribers.

Revenues from local services increased by 2.5% on 9M 2008 and totaled RUR 7,825.9 mln.

Revenues from local calls increased by 5.0% (+RUR 327.3 mln), including RUR 35.7 mln in subscriber additions and RUR 291.6 mln due to changes in tariffs for local calls (monthly payments and call charges).

*Revenue from local services, by types (including radio access CDMA, DECT), RUR million:*

	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
Line installation	116.7	219.6	-46.9%
Local calls provision (monthly payment and call charges), <i>including:</i>	6,934.0	6,606.7	+5.0%
<i>Line charge</i>	4,121.1	3,930.5	+4.8%
<i>Unlimited call charge</i>	1,522.2	1,431.8	+6.3%
<i>Time-based billing</i>	895.8	847.9	+5.6%
<i>Combined charges</i>	394.9	396.5	-0.4%
Other local services (contracts redrawn, etc)	356.4	355.4	+0.3%
Line and cabling rentals	417.7	447.0	-6.6%
Payphone calls (including 'universal services')	1.1	4.6	-76.1%
<b>Total</b>	<b>7,825.9</b>	<b>7,633.3</b>	<b>+2.5%</b>

The revenues from local services in terms of customer mix:

- residents – 73.4% (71.8% as of 9M 2008);
- organizations – 26.6% (28.2%).

### *Internet*

#### *Network development*

	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
Dial-up traffic, mln minutes	503.4	1,098.4	-54.2%
Traffic, Tbytes	59,610.9	12,728.8	+368.3%
<i>via broadband channels, incl</i>	59,562.3	12,451.8	+378.3%
<i>using xDSL technology</i>	58,683.1	12,135.8	+383.6%

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*Revenue from Internet and unregulated data transmission services, RUR million*

	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
Internet	3,752.4	2,898.9	+29.4%
<i>incl dial-up services</i>	227.4	430.8	-47.2%
<i>broadband services</i>	3,525.0	2,468.1	+42.8%
<i>incl using xDSL</i>	3,441.7	2,348.9	+46.5%
Data transmission	753.5	582.5	+29.4%
VoIP services	142.3	115.3	+23.4%
Other telematic services	21.3	20.2	+5.4%
<b>Revenue from Internet and unregulated data transmission services, total</b>	<b>4,669.5</b>	<b>3,616.9</b>	<b>+29.1%</b>

***Intrazone services***

*Traffic*

<b><i>Outbound traffic, mln minutes</i></b>	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
Intrazone calls, including	1,504.0	1,723.2	-12.7%
<i>Fixed-to-fixed</i>	363.0	407.4	-10.9%
<i>Fixed-to-mobile</i>	1,141.0	1,315.8	-13.3%

*Revenue from intrazone services, RUR million*

	<b>9M 2009</b>	<b>9M 2008</b>	<b>Change, %</b>
Revenue from intrazone services, incl:	3,401.8	3,758.0	-9.5%
<i>Fixed-to-fixed</i>	899.9	1,042.7	-13.7%
<i>Fixed-to-mobile</i>	1,990.7	2,245.3	-11.3%
<i>Channel rent</i>	448.4	400.6	+11.9%
<i>Others</i>	62.8	69.4	-9.4%

Revenue from intrazone services per customer categories:

- residents – 37.8% (42.1% as of 9M 2008);
- organizations – 62.2% (57.9%).

***Mobile services (GSM)***

Revenues from mobile services decreased by 2.6% on 9M 2008 and totaled RUR 9,590.7 mln. At the same time, as of 3Q 2009 segment revenue increased by 6.2%, compared to 2Q 2009.

Revenues from GSM services amounted to RUR 9,532.3 mln as of 9M 2009 (-3.0% on 9M 2008). As of 9M 2009 and 9M 2008, ARPU totaled RUR 185 and RUR 204, respectively.

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## REVENUES AND EXPENSES REVIEW

Generally, as of 9M 2009 revenues totaled RUR 30,244.2 mln (+0.2% on 9M 2008), while revenues from telecom services reached RUR 29,366.6 mln. (+0.4%).

Revenues from telecommunications services as of 9M 2009:

<i>Item, RUR mln.</i>	<i>9M 2009</i>	<i>Weight</i>	<i>9M 2008</i>	<i>Weight</i>	<i>Change (9m2009 / 9m2008), %</i>
<b>Revenues from telecom services, including</b>	<b>29,366.6</b>	<b>100.0%</b>	<b>29,235.7</b>	<b>100.0%</b>	<b>+0.4%</b>
Intrazone services	3,401.8	11.6%	3,758.0	12.8%	-9.5%
Local urban services	7,087.7	24.1%	6,924.4	23.7%	+2.4%
Local rural services	738.3	2.5%	708.8	2.4%	+4.2%
Documentary services	99.4	0.3%	106.3	0.4%	-6.5%
Wired radio	205.6	0.7%	199.7	0.7%	+3.0%
Radio communication, radio and TV broadcasting	196.0	0.7%	171.6	0.6%	+14.2%
Mobile services	9,590.7	32.7%	9,844.9	33.7%	-2.6%
Internet and non-regulated data transmission services	4,669.5	15.9%	3,616.9	12.4%	+29.1%
<i>Including Internet</i>	<i>3,752.4</i>	<i>12.8%</i>	<i>2,898.9</i>	<i>9.9%</i>	<i>+29.4%</i>
Interconnection and traffic transmission services	3,369.9	11.5%	3,899.5	13.3%	-13.6%
Other revenues from core activities	7.7	0.0%	5.6	0.0%	+37.5%

For most, revenues were driven by:

- Revenue gains in Internet and non-regulated services due to increased number of subscribers and higher usage of Internet and data transmission services.
- Revenues gains in local telephone services as a result of changes in average rates effective since 01/03/2009 (monthly charges and call charges).

Revenue from interconnection and traffic transmission services amounted to RUR 3,369.9 mln (-13.6% on 9M 2008). The Company's interconnection revenues amounted to RUR 9.7 mln as of 9M 2009 (-85.5% on 9M 2008). Revenue from traffic transmission services amounted to RUR 3,360.2 mln (-12.3% on 9M 2008).

As of 9M 2009, revenues from non-core activities totaled RUR 877.6 mln (-8.3% on 9M 2008), including RUR 37.2 mln from assistance agreements and agent fees (-41.4%).

Operating expenses amounted to RUR 24,119.8 mln., 0.9% decrease on 9M 2008 due to optimization of operational expenses.

<i>Item, RUR mln.</i>	<i>9M 2009</i>	<i>Weight</i>	<i>9M 2008</i>	<i>Weight</i>	<i>Change (9m 2009 / 9m 2008), %</i>
Wages	4,589.7	19.0%	5,236.6	21.5%	-12.4%
Social tax expense	1,034.7	4.3%	1,130.5	4.7%	-8.5%
Depreciation and amortization	4,574.8	19.0%	3,851.7	15.8%	+18.8%
Telecom operators' services	4,357.8	18.1%	4,330.4	17.8%	+0.6%
Materials	1,489.4	6.2%	1,590.0	6.5%	-6.3%
Third party services	2,007.1	8.3%	2,303.3	9.5%	-12.9%
Other expenses, including	6,066.3	25.1%	5,899.1	24.2%	+2.8%
<i>Contributions to Universal Service Fund</i>	<i>308.2</i>	<i>1.3%</i>	<i>300.8</i>	<i>1.2%</i>	<i>+2.5%</i>
<i>Leasing</i>	<i>1,231.4</i>	<i>5.1%</i>	<i>1,508.9</i>	<i>6.2%</i>	<i>-18.4%</i>
<b>TOTAL</b>	<b>24,119.8</b>	<b>100.0%</b>	<b>24,341.6</b>	<b>100.0%</b>	<b>-0.9%</b>

Wages expense decreased by 12.4% as compared to 9M 2008, while their share of total expenditure decreased from 21.5% as of 9M 2008 to 19.0%. Lower expense was due to the optimization of organizational structure and business processes.

Depreciation and amortization increased by RUR 723.1 mln as of 9M 2009 due to the putting into operation of new assets. As of 2008 the company put into operation RUR 9,980 mln worth of fixed assets.

Higher expense for Telecom operators' services was caused by increased number of subscribers and increased usage of Internet and data transmission services. The item's expense increased by RUR 27.4 mln (+0.6% on 9M 2008).

Third party services economy was achieved through expense cuts in repairs and maintenance (-7.8%), transport (-21.6%), information services (-20.0%).

**Generally, as of 9M 2009 EBITDA totaled RUR 11,517.7 mln. (+5.8%), operating profit – RUR 6,124.3 mln. (+4.7%), pre-tax profit – RUR 3,889.0 mln. (-5.8%), net profit – RUR 2,953.2 mln (+2.4%).**

## **INVESTMENTS**

The investments as of 9M 2009 amounted to RUR 2,488.1 mln (36.7% of Capex as of 9M 2008).

Investment structure:

	<i>1H 2009</i>	<i>1H 2008</i>
<b>Investments, total, RUR million</b>	<b>2,488.1</b>	<b>6,779.9</b>
Traditional (fixed-line) telephony	4.7%	18.1%
New services, incl mobile services	50.3%	45.8%
Data transmission network and infrastructure	32.8%	14.9%
IT	0.9%	7.1%
Others, incl	11.3%	14.1%
<i>Repair and maintenance of buildings and constructions</i>	2.5%	4.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>